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NSC BRIEFING

13 October 1954

SINO-SOVIET COMMUNIQUE

I. Joint communiqué (11 October) shows Moscow's enthusiasm for alliance and present intention treat Peiping as "great power."

A. Explicit statement "complete unity of views" on both Sino-Soviet relations and foreign affairs.

II. In economic field, announced: end to all four joint stock companies; plan for two new rail links; new credits to China.

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A. Despite absence on all four companies, Soviet influence may continue in two--Dairen shipyard, Sinkiang mining. Peiping will pay for Soviet share in all (other two--Sinkiang oil company, SKOGA airline between Peiping and USSR).

B. One rail line (through Mongolia) to be finished next year--this a surprisingly big operation. Other (through Sinkiang) not to be completed until 1960's.

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C. New Soviet credit is under

\$250 million, perhaps half  
that--text not clear on  
exact sum. Thus, Soviet  
economic aid to China remains  
modest (current credit, plus  
\$300 million in 50-54). How-  
ever, aid includes key equip-  
ment unavailable elsewhere.

III. In military field, only disclosure is  
withdrawal Soviet forces from Port  
Arthur naval base area, turnover  
of installations by 31 May 55.

A. Now 60,000 Soviet troops, 570  
aircraft, 12 submarines,  
small surface craft in Port  
Arthur area.

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B. Probable that Soviet forces

will really be withdrawn,  
rather than moved to nearby  
Dairen (which is part of  
base area) or elsewhere in  
Manchuria.

C. Failure mention Soviet inter-  
ests in Dairen other than  
shipyard not significant, as  
civil administration and port  
control largely transferred to  
Chinese in 51-52.

IV. Port Arthur move seems linked to  
recent wooing Japan.

A. In 1952, retention of troops  
justified by "threat" from  
Japan: communiqué looks  
instead to "normalization"  
relations.

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V. Communiqué also raises Formosa question.

- A. Language is mild, does not mention "liberation" of island.
- B. In all, suggests further diplomatic maneuvers forthcoming, rather than early Soviet-supported Chinese Communist attack on Formosa.
- C. Very doubtful if Communists believe US would quit Formosa as quid pro quo for Port Arthur withdrawal.

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1945-1950 Dairen under Soviet military control.

Under 1950 treaty, civil administration given

Chinese and question status of port postponed

pending peace treaty with Japan.

1951-52 port and city control gradually  
transferred to Chinese. Under 11 October 1954

agreement, Dairen shipyard, a joint stock

company, transferred to Chinese control.

Chinese now have dominant voice in Dairen.

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